Innovation Saskatchewan

Financial Statements

For the Year Ended March 31, 2017

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Innovation Saskatchewan, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Innovation Saskatchewan as at March 31, 2017, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 6, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Statement 1

Innovation Saskatchewan
Statement of Financial Position
As at March 31

	(thousands of dollars)	
Financial Assets	**2017**	**2016**
Due from General Revenue Fund (Note 3)	$ 9,817	$ 7,830
Accounts Receivable	17	25
	9,834	7,855
Liabilities		
Accounts Payable and Accrued Liabilities	2,662	987
Net Financial Assets (Statement 3)	7,172	6,868
Non-financial Assets		
Prepaid Expenses	4	4
Accumulated Surplus (Statement 2)	$ 7,176	$ 6,872

Contractual Obligations (Note 5 and 8)
Designated Assets (Note 9)
(See accompanying notes to financial statements)

Statement 2

Innovation Saskatchewan
Statement of Operations and Accumulated Surplus
for the Year Ended March 31

	(thousands of dollars)		
		2017	*2016*
	Budget	**Actual**	**Actual**
	(Note 4)		
Revenue			
Transfer from the General Revenue Fund	$ 29,400	$ 29,400	$ 30,510
Interest Earned from the General Revenue Fund		88	106
Other		46	89
	29,400	29,534	30,705
Expenses (Note 7)			
Administration	2,353	2,123	1,935
Program Grants			
Saskatchewan Advantage Innovation Fund (Note 9)	886	1,038	1,318
Petroleum Technology Research Centre	2,000	2,500	2,000
Innovation and Science Fund (Note 9)	4,000	2,397	1,599
International Minerals and Innovation Institute	1,200	1,200	1,000
Sylvia Fedoruk Centre	3,600	4,161	5,425
Canadian Light Source	4,100	4,550	4,100
InterVac	2,131	2,131	2,131
Vaccine and Infectious Disease Organization	3,500	3,500	3,500
Saskatchewan Health Research Foundation	5,630	5,630	5,630
	29,400	29,230	28,638
Annual Surplus	$ -	304	2,067
Accumulated Surplus, Beginning of Year		6,872	4,805
Accumulated Surplus, End of Year (Statement 1)		$ 7,176	$ 6,872

(See accompanying notes to financial statements)

Statement 3

Innovation Saskatchewan
Statement of Change in Net Financial Assets
for the Year Ended March 31

	(thousands of dollars) 2017	2016
Annual Surplus	$ 304	$ 2,067
Decrease in Prepaid Expenses	-	4
Increase in Net Financial Assets	304	2,071
Net Financial Assets, Beginning of Year	6,868	4,797
Net Financial Assets, End of Year (Statement 1)	$ 7,172	$ 6,868

(See accompanying notes to financial statements)

Statement 4

Innovation Saskatchewan
Statement of Cash Flows
for the Year Ended March 31

	(thousands of dollars)	
Operating Activities	**2017**	**2016**
Cash Receipts from General Revenue Fund	29,400	30,510
Cash Receipts from Other Operating Activity	46	89
Cash Paid to Suppliers and Employees	(27,556)	(27,992)
Cash Provided by Operating Activities	1,890	2,607
Investing Activities		
Cash Receipts from Interest	97	94
Cash Provided by Investing Activities	97	94
Increase in Due From General Revenue Fund	1,987	2,701
Due from General Revenue Fund, Beginning of Year	7,830	5,129
Due from General Revenue Fund, End of Year	$ 9,817	$ 7,830

(See accompanying notes to financial statements)

Innovation Saskatchewan
Notes to the Financial Statements
for the Year ended March 31, 2017

1. Status of Innovation Saskatchewan

Innovation Saskatchewan was established under the provisions of *The Innovation Saskatchewan Act* on November 2, 2009.

Innovation Saskatchewan is the central agency of the Government of Saskatchewan with responsibility for implementing Saskatchewan's innovation priorities. Innovation Saskatchewan coordinates the strategic direction of the government's research and development and science and technology expenditures; provides advice on science and technology policy; coordinates the establishment and maintenance of science, research and development infrastructure; and provides advice and recommendations on research, development, demonstration, and the commercialization of new technologies and innovative processes in Saskatchewan. Innovation Saskatchewan is a corporate body eligible to receive monies primarily appropriated by the legislature for these purposes.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, Innovation Saskatchewan is classified as an *"other government organization"*. These financial statements are prepared using Canadian Public Sector Accounting Standards published by the Chartered Professional Accountants of Canada and reflect the following significant accounting principles. Innovation Saskatchewan did not have any re-measurement gains and losses, therefore a statement of re-measurement gains and losses is not provided.

a) Revenue

Revenue is recognized in the period in which the transactions or events occurred that give rise to the revenue. Transfers from the General Revenue Fund are unrestricted in nature and are recognized when authorized and any eligibility criteria are met.

b) Expenses

Expenses represent the cost of resources consumed during the year for operations and grants made to third-party organizations. Grants are recognized as expenses in the period during which the transfer is authorized and eligibility criteria are met.

c) Non-financial Assets

Prepaid expenses are non-financial assets that are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge existing liabilities unless they are sold.

d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations and Accumulated Surplus in the period in which they become known.

3. Due from the General Revenue Fund

Innovation Saskatchewan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest is paid on a quarterly basis at the government's 30-day average interest rate. The average rate for 2016-17 was 0.54% (2015-16 was 0.60%). Interest earned during the year was $88 thousand (2015-16 – $106 thousand).

4. Budget Approval

The 2016-17 budget submission to Saskatchewan Finance for 2016-17 was approved by the Innovation Saskatchewan Board on July 8, 2016.

5. Related Parties

These financial statements include routine transactions with related parties. Innovation Saskatchewan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, Innovation Saskatchewan is related to non-Crown Corporations and enterprises that the government jointly controls or significantly influences.

Related party transactions to March 31, 2017 include the following:

	(thousands of dollars)	
Expense	2016-17	2015-16
Ministry of Central Services	$ 1	-
University of Saskatchewan	7,886	7,693
SaskTel	18	17
Sylvia Fedoruk Canadian Centre for Nuclear Innovation - Grant	4,000	5,000
Saskatchewan Health Research Foundation	5,630	5,630
Saskatchewan Research Council	164	50
University of Regina	360	100
Innovation Place	154	145
Ministry of the Economy	147	156
The Canadian Light Source	4,550	4,100
Accounts Receivable	$ 17	$ 25
Accounts Payable	$ 959	$ 723
Other Revenue	$ 26	$ 15

	(thousands of dollars)	
Contractual Obligations	Leases	Programming
2017-18	150	18,527
2018-19	150	17,627
2019-20	150	16,129
2020-21	-	6,398
2021-22	-	-
Total	$ 450	$ 58,681

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, Innovation Saskatchewan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases.

6. Financial Instruments

Innovation Saskatchewan's financial instruments include: Due from the General Revenue Fund, Accounts Receivable, Accounts Payable and Accrued Liabilities. The carrying amount of these instruments approximates fair value due to their short-term nature. These instruments have no material interest, credit, liquidity, or market risks.

7. Expense by Object

(thousands of dollars)

Expenses	March 31, 2017	March 31, 2016
Goods and Services	$ 729	$ 618
Grants and Transfers	27,248	26,752
Pension and Benefits	97	135
Salaries	1,109	1,092
Travel	47	41
	$ 29,230	$ 28,638

8. Contractual Obligations

Innovation Saskatchewan has non-related party programming and operational obligations in future years.

(thousands of dollars)

	Programming	Operational
2017-18	$ 732	$ 127
2018-19	325	36
2019-20	-	-
2020-21	-	-
2021-22	-	-
	$ 1,057	$ 163

9. Designated Assets

Innovation Saskatchewan is holding $6.372M as designated assets to be spent as follows:

	(thousands of dollars)	
Designated Assets	**March 31, 2017**	**March 31, 2016**
Nuclear Strategy Program	$ 158	$ 719
ISF	4,004	2,401
SAIF	2,210	2,362
	$ 6,372	$5,482

Innovation Saskatchewan maintains two internal funds called the Saskatchewan Advantage Innovation Fund (SAIF) and the Innovation and Science Fund (ISF). SAIF provides support for innovation activities in areas such as research and development, demonstration, commercialization and education consistent with the Innovation Saskatchewan mandate while ISF provides support for similar activities in science. Decisions on projects funded by SAIF and ISF are based on a rigorous project evaluation criteria used to vet all projects and are recommended to the Innovation Saskatchewan Board of Directors for approval.

Due to delays in planning and negotiations, Innovation Saskatchewan has retained funds for its Nuclear Strategy Program for purposes of supporting the construction of the Saskatchewan Centre for Innovation in Cyclotron Science (SCI-CS) cyclotron facility and associated nuclear substances laboratory, part of the Sylvia Fedoruk Canadian Centre for Nuclear Innovation and for joint research projects undertaken under the auspices of the Memorandums of Understanding with Hitachi, Ltd. These designated assets are included in the Due from General Revenue Fund on the Statement of Financial Position.

10. Pension Costs

The employees of Innovation Saskatchewan participate in the Public Employees' Pension Plan defined contribution plan. Pension costs of $81 thousand (2015-16 - $78 thousand) are included in pension and benefits expense and comprise the cost of employer contributions for current service of employees during the year. Employer contribution levels are applied at 7.25% of salary. Innovation Saskatchewan's liability is limited to the required contributions.